



6 October 2020

Dear Industry Leaders:

FIA's core mission is to support open, transparent and competitive derivatives markets, and to protect the integrity of the financial system. This is most obvious in our work with various regulators around the world; however, FIA's mission increasingly means we are supporting industry-led solutions for our members, too.

There are numerous examples of recent achievements on this front, from FIA's efforts this spring [supporting and monitoring industry actions related to COVID-19](#) to our upcoming [annual industry-wide disaster recovery exercise](#) in October that will test business continuance, process recovery and connectivity for market participants. But one ongoing work area that is particularly important -- and where, frankly, FIA needs cooperation from its members -- is in regards to data standardization for our industry.

We talk a lot about the importance of data. However, data must be reliable and standardized to truly provide value to market participants. Inconsistencies at best cause extra friction and complexity, and at worst can result in costly errors or increase market risk by providing incorrect signals.

Standardizing data is never an easy task, as multiple independent stakeholders must come together and agree on a shared format. However, FIA is uniquely positioned to facilitate this process because we understand the perspectives of a wide variety of market participants. And thanks to our long history of working with members of all shapes and sizes and geographies, the industry trusts us to safeguard the integrity of the derivatives ecosystem as a whole.

And at a higher level, data standardization efforts can be important exercises in creating proactive, industry-led solutions. We can all agree that it is preferable to voluntarily improve our cleared derivatives ecosystem rather than simply wait for the burden of strict regulatory mandates.

It's for these reasons that we are calling upon our industry to continue its work on the [FIA Execution Source Code, aka "Tag 1031."](#) While we've made progress, it's crucial we retain focus on this important effort.

Tag 1031 is an FIA-led initiative in conjunction with FIA Tech, and aims to provide futures industry participants with a standardized data schema that identifies the execution method used for exchange traded derivative trades at their point of origin. This allows executing and clearing brokers to easily reference the appropriate brokerage rate for the execution method.

On the surface, it may sound like these Tag 1031 source codes are simply about facilitating efficient brokerage settlement in an increasingly complex world of execution services, platforms and

providers. But the Execution Source Code initiative is also about crucial operational priorities for FIA -- including data standardization, reducing friction for market participants and bringing our industry together to solve our collective problems.

Our industry has thrived by providing derivatives market participants a wide range of choices across technology, brokerage and clearing providers. Standardization efforts like Tag 1031 provide a shared foundation that allows for the "unbundled" services that are a great strength for our industry, allowing for healthy competition and customer choice.

To date, derivatives markets have already made significant progress on this issue. CME Group, the largest futures exchange in the US, achieved [full implementation](#) of Tag 1031 in November 2019, and Eurex, the largest futures exchange in Europe, is scheduled to be fully live in support of the Execution Source Code in November.

But we still have a long way to go. Until all derivatives exchanges and service providers support this initiative, significant brokerage settlement problems will persist. And that leads to a higher increase in top-day trade breaks and discrepancies in brokerage.

We strongly encourage exchanges and service providers to prioritize the Tag 1031 effort -- both because of its tangible impact on reducing friction in brokerage settlement, but also because it's an important exercise in building a comprehensive, industry led solution on a front-to-back issue.

Equally important, we need widespread adoption among the firms that execute and clear trades for customers. Several of the world's largest futures brokers have fully implemented Tag 1031 in their order entry and trade processing systems, and I encourage the rest of the community to follow their lead.

At FIA, our members come first, and that's where we find our priorities. And it's clear that a host of our members across the trading cycle are impacted by these issues -- even if some are only affected in small ways.

Sincerely,



**Walt Lukken**  
President & CEO, FIA



**Nick Rustad**  
Interim Chairman, FIA  
Managing Director, J.P. Morgan Securities

P.S. We urge those working in operations and technology to visit our [Tag 1031 resource page](#) to learn more about our industry-led response to this challenge, and how they can be part of the solution.

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